

This week's USDA crop production and WASDE report captured the headlines with what has generally been described as a bearishly toned release. For a short while attention has turned away from weather and planting delays and focused more upon overall production, consumption and (crucially) ending stocks.

Headlines from the report include 2013/14 global corn end stocks at 151.8 million mt, despite being a month on month decline from 154.6 million mt, this is still a huge increase from 2012/13's 124.3 million mt closing stock figure. From a corn production perspective, the report reduced US output by roughly 3.5 million mt based solely on yield forecast, no alteration was made to acreage despite this season's planting conditions and the delay this has caused. Global corn output for 2013/14 at 962.6 million mt is well over 100 million mt higher than the 855.7 million mt produced in 2012/13.

The wheat data, as reported, includes a month on month reduction in global 2013/14 end stocks of some 5 million mt predominantly attributable to around 3 million mt in the EU, and 1 million mt each in Australia and Canada. However, overall end stocks for 2013/14 are forecast to be about 1.5 million mt higher than 2012/13. Overall global production figures for 2013/14 at 695.9 million mt were down by just over 5 million mt month on month, the EU accounting for 1 million mt and the FSU for 4.5 million mt, however the 2013/14 forecast figure is nearly 40 million mt higher than the 2012/13 figure.

Soybean output for 2013/14 was left broadly unchanged from last month at 285.3 million mt, which is an increase from 2012/13's figure of 267.6 million mt. Ending stocks as reported this month at 73.7 million mt were down just over 1 million mt, but over 12 million mt higher than the 61.2 million mt figure for 2012/13. The detail in the end stock included an increase of 2 million mt in Argentina and a decrease of 3 million mt in Brazil largely attributable to changed export forecasts.

Whilst the report has raised questions by many within the trade, we have to accept that many others also hang onto its every word and trade the data. At this time we now look forward to 28 June and the influential stocks and planting report which has the potential to bring with it fireworks and significant market reaction. In contrast Wednesday's "bearish" report has allowed markets to decline but not in the same way that could be possible if there are surprises in the forthcoming planted acreage figures.

In summary, 2013/14 has the potential, if the reported figures actually materialise, to see a significant turn in global stock levels. Over 100 million mt additional corn production, 40 million mt of wheat and 18 million mt of soybeans are not insignificant figures. Clearly this has to be grown and harvested before it can be fully considered a "done deal" but the early signs are positive.

Turning to more mundane news, it is anticipated that US crop seeding will move closer to completion when the weekly figures are released, corn is expected to be all but complete and soybeans to be around 85% done. With crops finally in the ground it will become the weather in coming weeks and months that will be the key to success, or otherwise, of crops not only in the US but also around the world. Doubtless we will be discussing weather and its impact in more detail in coming reports.

EU wheat exports reached 20.3 million mt with Brussels granting 200,303 mt of wheat export licences with only a couple of weeks to go. In marked contrast last season's total was 14.753 million mt.

We conclude on a similar note to last week, insofar as we remain of the view that there is still potential for old crop supply tightness induced price rallies, and these may influence new crop prices to rise in sympathy. However, the potential in global new crop supplies, whilst not without risk, is at this time sufficiently strong to see prices decline, as crops become more established and closer to harvest. We continue to look for lower new crop prices.

World Corn Supply and Demand

(million metric tons) June Report	09/10	10/11	11/12	12/13	USDA 13/14 Estimates	
					May	June
Beginning Stocks	147.68	145.97	128.11	132.30	125.43	124.31
Production	824.17	831.68	883.25	855.72	965.94	962.58
Imports	89.80	92.39	100.02	97.00	98.68	98.98
Total Supply	1061.64	1070.90	1110.01	1085.02	1190.05	1185.87
Feed	490.23	490.23	505.36	517.15	561.67	558.40
Total Domestic	818.82	850.45	879.07	863.71	936.74	935.06
Exports	96.85	91.47	117.00	89.01	104.62	105.12
Total Demand	908.62	942.71	978.13	960.71	1035.42	1034.04
Ending Stocks	145.97	128.11	132.30	124.31	154.63	151.83
Stocks to Usage	16.84%	13.49%	15.26%	12.11%	15.51%	15.28%

USDA Estimates